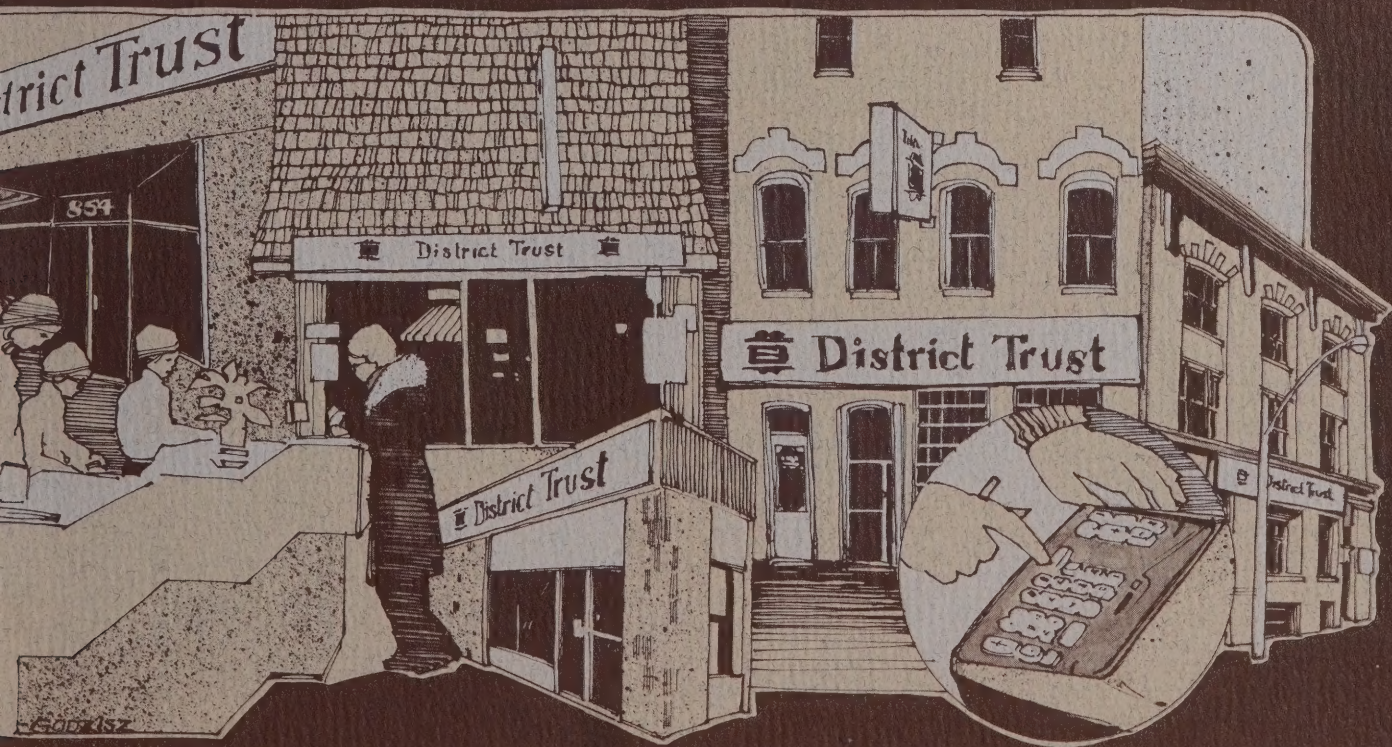




Annual Report 1978

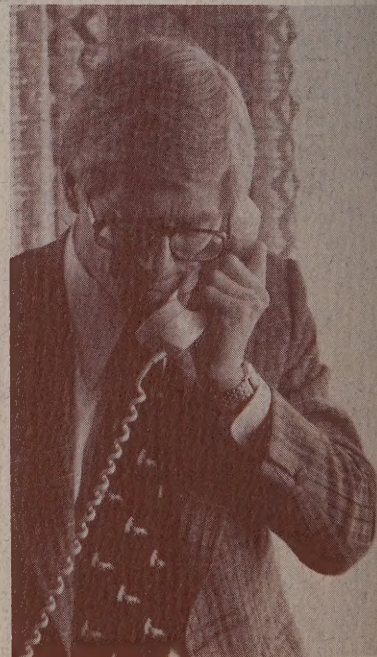


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OFFICERS

Chairman of the Board	Norman G. Burdick
President and General Manager	Robert C. Allen
Vice President and Assistant General Manager	Ronald R. Bobbie, C.A.
Vice President, Branches	John F. Visser
Secretary	Gordon A. Mackay, Q.C.
Treasurer	Peter L. Eudoxie
Assistant Secretary	Ronald C. Nickle





Interim Financial Report

for the six months ended April 30, 1978

SERVICES

Mortgage Loans
 Personal Loans
 Guaranteed Investment Certificates
 Chequing Accounts
 Savings Accounts
 Registered Retirement Savings Plans
 Registered Home Ownership Savings Plans
 Deferred Profit Sharing Plans
 Real Estate Appraisals
 Property Management
 Trustee - Corporate and Personal
 Estate Planning
 Executor and Administrator Services
 Prepaid Deposit by Mail
 Safety Deposit Boxes and Safekeeping

OFFICES

Head Office
 383 Richmond Street, London, Ontario
 434-6013

LONDON
 484 Richmond Street 672-0610
 Covent Market Building 434-6024

STRATHROY
 26 Front Street 245-1090

GUELPH
 84 Gordon Street 821-2160

ELMIRA
 24 Arthur Street S. 669-5186

KITCHENER
 259 King Street W.
 Trust Services 579-4020
 Real Estate Services 579-3410
 Property Management 579-3780

TORONTO
 20 Duncan Street 868-6550

BRANTFORD
 233 Colborne Street 753-4105

PORT COLBORNE
 43 Clarence Street 835-2555

PORT ELGIN
 620 Goderich Street 832-9105

WALKERTON
 301 Durham Street E. 881-3700

OWEN SOUND
 124-9th Street E. 376-0600

SUBSEQUENT EVENT

On May 1, 1978 the Company completed the sale of four real estate properties. The effects of the sale will be reflected in the Company's next financial report, for the nine months ended July 31, 1978. The following are the highlights of this transaction:

Sale Price	\$5,200,000
Approximated profit on sale after provision for income taxes	\$ 700,000
Transfer from "Excess of appraised value of real estate over depreciated cost" to "Retained earnings"	\$1,563,798

District Trust Company

CONSOLIDATED BALANCE SHEET as at April 30, 1978 (Unaudited)

	1978	1977
ASSETS		
Loans and advances		
Mortgages	\$119,948,501	\$ 94,853,280
Other loans	1,292,593	1,256,578
	<u>121,241,094</u>	<u>96,109,858</u>
Cash and term deposits	8,898,191	12,828,315
Securities	11,591,237	7,224,581
Accounts receivable	514,648	209,104
Income producing real estate net of accumulated depreciation	19,554,211	17,314,006
Investment in partnerships and other companies	1,049,742	2,666,866
Other	594,148	179,894
	<u>\$163,443,271</u>	<u>\$136,532,624</u>
LIABILITIES		
Deposits and borrowings		
Demand deposits	\$ 12,688,863	\$ 9,108,942
Short term certificates	3,033,109	1,646,934
Retirement savings plan deposits	25,316,403	16,189,827
Guaranteed investment certificates	97,763,133	84,527,919
	<u>138,801,508</u>	<u>111,473,622</u>
Other Liabilities		
Bank loan	1,160,000	3,820,000
Accounts payable and accrued liabilities	1,179,536	1,459,975
Mortgages payable	6,959,454	5,379,391
	<u>9,298,990</u>	<u>10,659,366</u>
Deferred income taxes	1,035,951	790,091
Interest of minority shareholders in subsidiary company	68,218	68,218
	<u>10,334,941</u>	<u>11,517,675</u>
SHAREHOLDERS' EQUITY		
Capital stock	4,709,023	4,573,020
Retained earnings	2,592,188	1,865,801
Excess of appraised value of real estate over depreciated cost	6,937,393	7,102,506
	<u>14,238,604</u>	<u>13,541,327</u>
	<u>\$163,443,271</u>	<u>\$136,532,624</u>

CONSOLIDATED STATEMENT OF INCOME (Unaudited) for the six months ended April 30, 1978

	1978	1977
Income		
Mortgages and other loans	\$ 6,321,736	\$ 5,088,060
Investment securities	818,138	578,684
Investment properties	1,081,218	821,815
Fees, commissions, and other income	141,444	241,609
	<u>8,362,536</u>	<u>6,730,168</u>
Expenses		
Interest on deposits and borrowings	5,802,200	4,533,649
Salaries, commissions, benefits	715,411	629,815
Investment properties	646,944	629,919
Administrative expenses	570,679	473,599
Premises	136,829	99,258
	<u>7,872,063</u>	<u>6,366,240</u>
	490,473	363,928
Share of income of partnerships	3,057	28,295
Gain on sale of securities	330,754	11,874
	<u>824,284</u>	<u>404,097</u>
Income taxes	135,905	127,000
	<u>688,379</u>	<u>277,097</u>
Gain on sale of income-producing real estate, net of estimated taxes	162,879	—
Equity in net income of International By-Products Limited	200,000	—
NET INCOME	<u>\$ 1,051,258</u>	<u>\$ 277,097</u>
EARNINGS PER SHARE	<u>40.4¢</u>	<u>10.8¢</u>
DIVIDENDS PER SHARE PAID DURING PERIOD	<u>15¢</u>	<u>10¢</u>



NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Six Months Ended April 30, 1978

1. These consolidated financial statements include the accounts of District Trust Company, District Development Corporation Limited, Allcross Enterprises Limited and Glenridge Centre. The company has adopted the equity method of accounting for its investment in International By-Products Limited.
2. Investment securities are recorded at cost. Quoted market value of bonds and stocks at April 30, 1978 amounted to \$12,160,000 (1977 - \$7,611,000).

DIRECTORS

Robert C. Allen, President and General Manager
District Trust Company, London, Ontario

William J. Amos, President, William J. Amos
Insurance Agency Limited, Parkhill, Ontario

Bentley I. Baldwin, Honorary Chairman of the Board
District Trust Company, London, Ontario

William C.P. Baldwin, President, Baldwin Garments Limited
London, Ontario

Norman G. Burdick, Vice President and General Manager
Kingsmill's Limited, London, Ontario

Robert J. Hare, Solicitor
Kitchener, Ontario

Gordon A. Mackay, Q.C. Senior Partner,
Mackay, Kirvan, Guy, Kitchener, Ontario

John A. McNee, President, Adam-McNee Limited
London, Ontario

John B. Nash, President, John A. Nash & Son Ltd.
London, Ontario

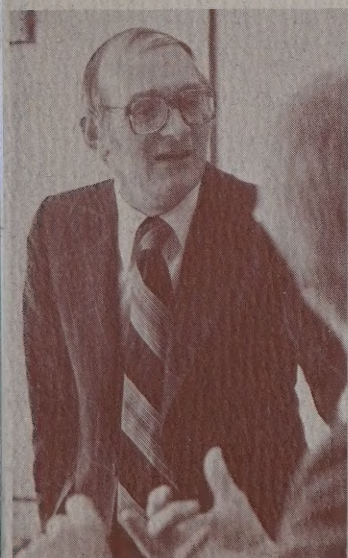
Harvey M. Romoff, Assistant Vice-President, Corporate
Development, Canadian Pacific Ltd., Montreal, Quebec

Frederick P. Schneider, Chairman of the Board,
Schneider Corporation, Kitchener, Ontario

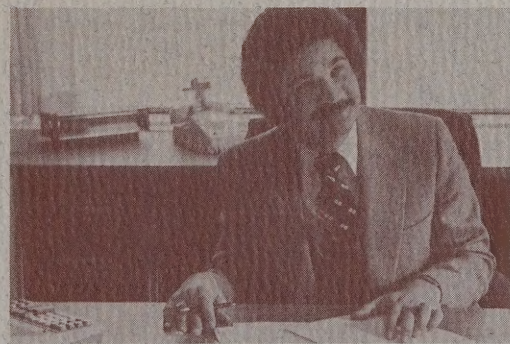
Robert A. Schultz, C.A., President and General Manager
International By-Products Limited, London, Ontario

James H. Stringham, Senior Executive Vice President,
Ralston Purina of Canada Limited, Brampton, Ontario

Terry C. Uptigrove, C.A., Treasurer,
Armel Corporation, Guelph, Ontario



*From left to right:
Robert C. Allen;
Norman G. Burdick;
Ronald R. Bobbie; John
F. Visser; Peter L.
Eudoxie; Ronald C.
Nickle.*



REPORT TO SHAREHOLDERS

The fiscal year ended October 31, 1978 marked the conclusion of fifteen years of operation and it is once again a pleasure to review and comment on some of the more significant achievements since our report of a year ago.

Fiscal 1978 could be described as a year of moderate growth and dramatic profit increases. Total assets grew by \$22 million and are now in excess of \$173 million. Net income from operations increased 24% to \$1,029,881 and net income including extraordinary items was nearly triple that of last year, exceeding \$2.4

million, which represents 94 cents per share.

We are particularly proud of the public's response to our broad range of savings services. Deposits increased by \$23 million including an increase of 74% in demand deposits attracted by our excellent savings and chequing accounts.

Our mortgage portfolio was increased by \$26 million, a growth rate of 24%, and totalled \$136 million at the year-end. These loans are well matched by term deposit borrowings.

In November of 1978, our Owen Sound Branch

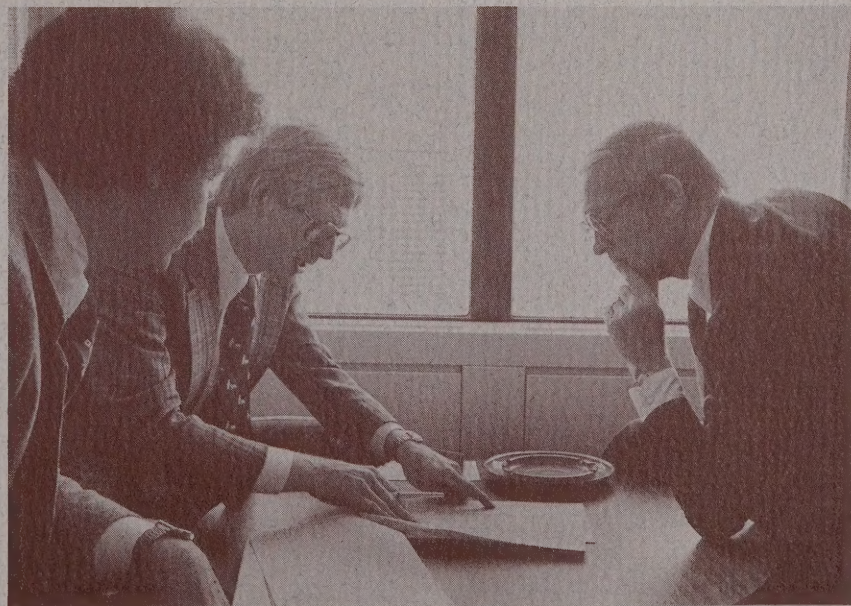


was converted to a full service operation, and has achieved excellent results thus far. Sites for future branch locations are being investigated as part of our ongoing plan for branch expansion and relocation.

During 1978 the Company sold \$7.5 million of its real estate portfolio. This disposition produced an extraordinary after-tax profit of \$1,413,057. These real estate sales have a significant impact on the Shareholders' Equity section of the Balance Sheet; Retained Earnings rose by approximately \$4 million, while the Excess of Appraised value of Real Property Over Depreciated Cost decreased by \$3 million.

We were pleased to increase our quarterly dividend to 7½¢ per share, a 50% increase from 1977.

In addition, the Company paid a special dividend on December 29, 1978 of 25¢ per share, in the form of a stock dividend. This is not an unusual concept, but the stock issued is generally that of the company paying the dividend. However, District Trust issued the stock of a wholly owned subsidiary, International By-Products Limited, at the rate of one International share for every five District Trust shares. This stock dividend disbursed to shareholders the total value of the International

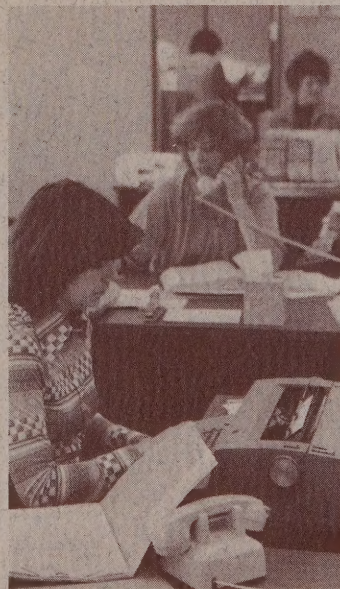


REPORT TO SHAREHOLDERS (Continued)

company, thereby fully divesting District of this subsidiary and distributing ownership to our shareholders. We are enthusiastic regarding the long term potential of International By-Products Limited and feel it is a valuable asset to our shareholders.

The divestiture of International By-Products Limited, and the sale of a portion of our real estate portfolio has had a two-fold effect. This has enabled us to convert certain assets to meet investment guidelines of the Loan and Trust Corporations Act, as well as to realize the full profit potential of some of the Company's assets.

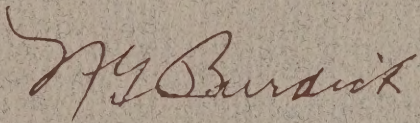
Naturally, District Trust is not immune to the economic climate that prevails throughout the nation today. Our 1978 results were achieved against a background of economic and monetary instability and heightened competition from all quarters. Historically high interest rates, reduction in new housing construction, and a shrinkage in interest rate spread in our intermediary operations all combine to erode profit and asset growth. Until such time as our economy reverts to a more acceptable state, we repeat our message of a year ago, that our policy of matching borrowing and lending



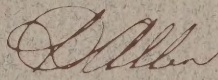
maturities will help stabilize our income during this most difficult period.

Mr. W.C.P. Baldwin, one of the original directors of District Trust, a former Vice-President of the Company and wise counsel for many years, will be retiring from our Board of Directors in April, 1979. We wish to acknowledge his service and efforts since the inception of the Company.

On behalf of the Board of Directors, we wish to recognize the invaluable efforts of all personnel and the contribution they have made to another successful year.



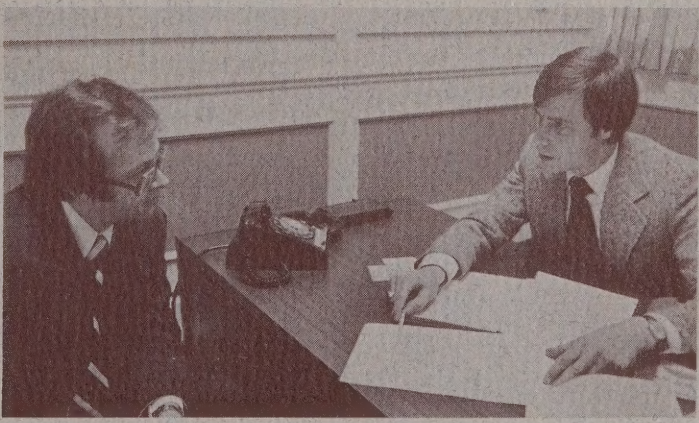
N.G. Burdick
Chairman of the Board



R.C. Allen
President and General Manager



*From left to right:
Cathy Hutchinson; Terri Sloan; Mary Nelligan; Cathy Isen; Amy Fiddy; Ruth Wilson; Henry Thuss (right) with customer.*



SERVICE HIGHLIGHTS

District Trust provides customer services through twelve branches in Ontario. Early in fiscal 1978 our Owen Sound branch was re-located and expanded to provide a full range of services. Subsequent to our year-end our oldest and largest branch, formerly located at Richmond and Dufferin Streets in London, moved to remodelled company-owned premises at 150 Fullarton Street.

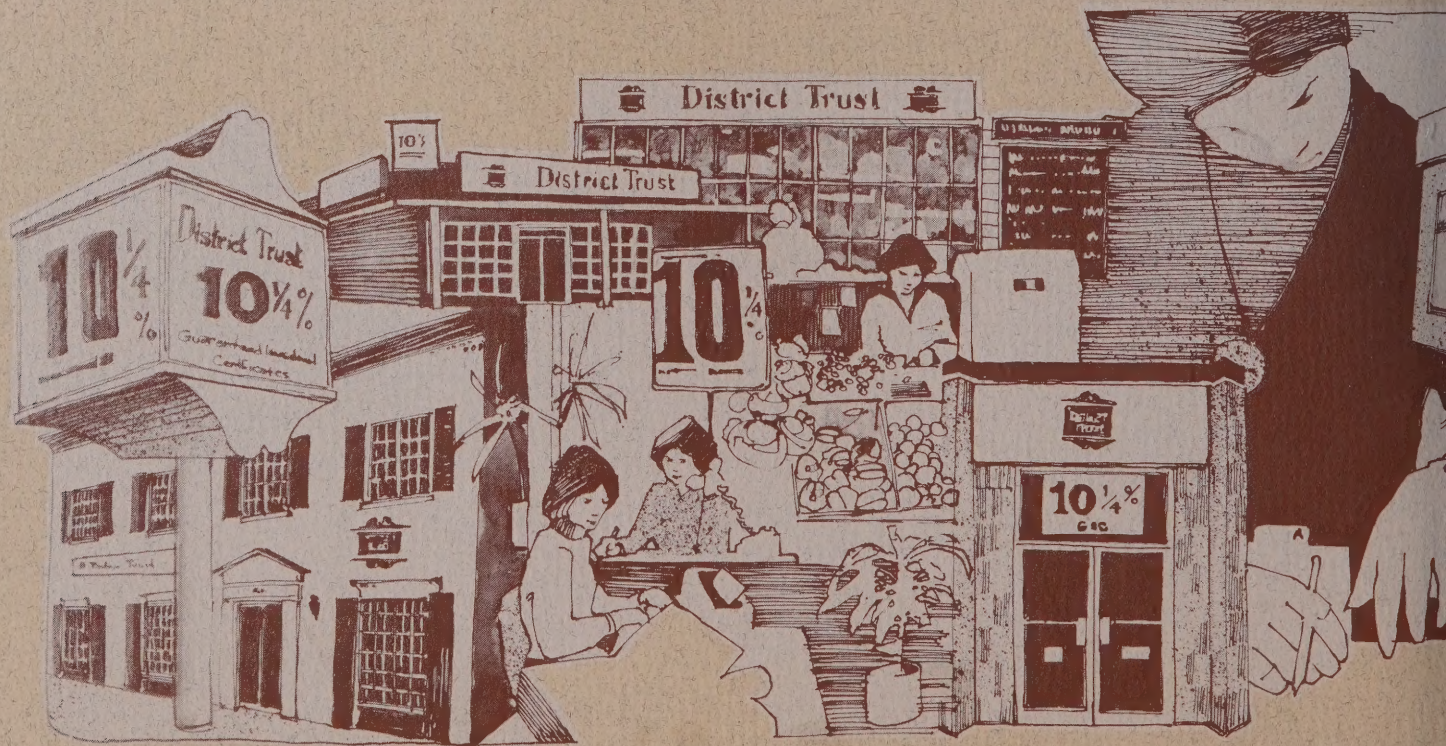
Here are a few of the many services available at our branches. (Savings accounts are not yet available at Toronto, Kitchener and Brantford.)

MORTGAGES

Mortgage loans are our biggest investment. We can offer very competitive rates and prompt service on all types of mortgages - N.H.A., C.M.H.C., insured and conventional first mortgages on residential and commercial property; construction loans, interim financing, wrap-around loans; open privileges and terms from one through five years are available.

SUPER SAVINGS

This innovative savings account pays and compounds interest **daily** at premium rates. A minimum balance of \$2,000 is required.



After the account has been open for 30 days, deposits and withdrawals may be made at any date; interest is calculated on the account balance **each day**. Super Savings is ideal for small businesses and individuals with active account balances who want to earn the maximum amount of interest on their savings.

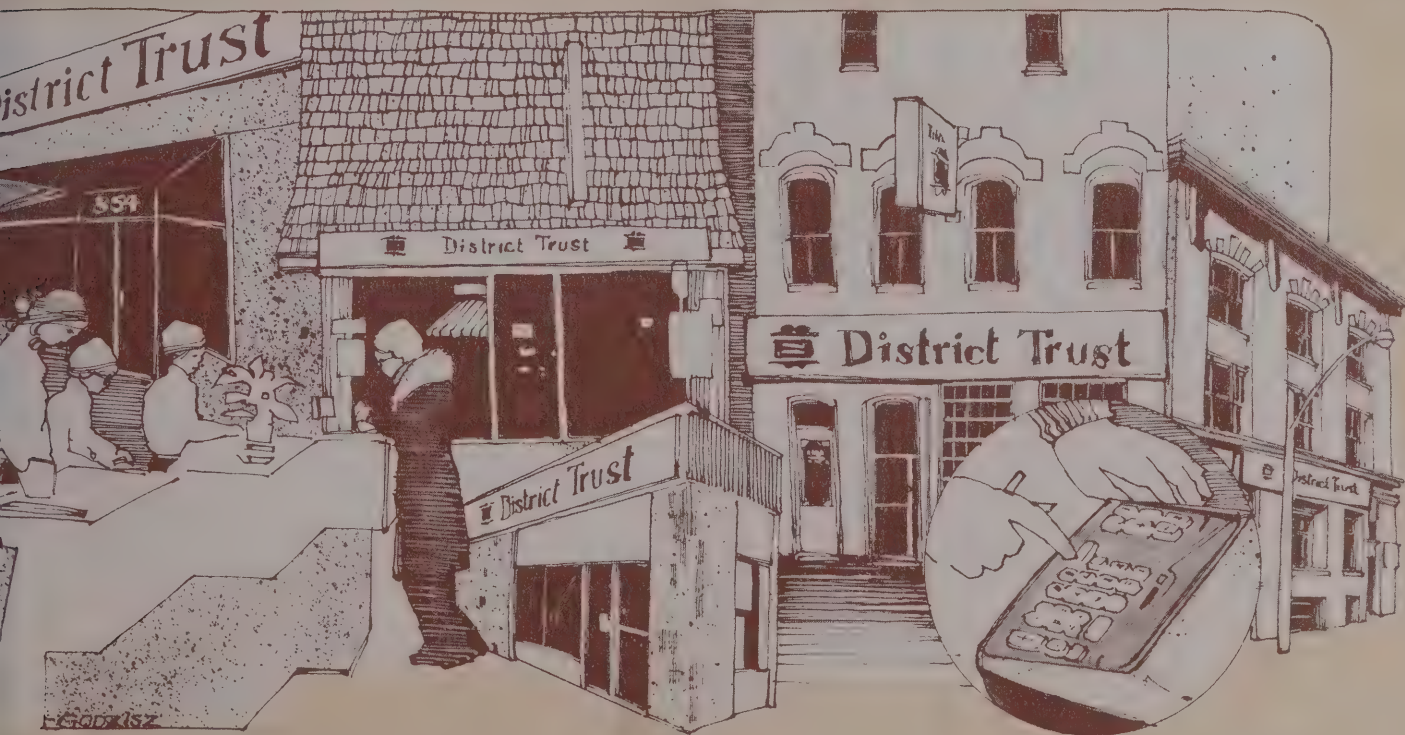
55 PLUS

Here is an all-in-one account for people 55 years of age or older. It offers free chequing **plus** savings interest at a premium rate **plus** half-price safety deposit box rental **plus** reduced commissions on travellers cheque

purchases **plus** an initial supply of personalized cheques free --- all together in one great account.

GUARANTEED R.S.P.

The Guaranteed Fund of the District Trust Registered Retirement Savings Plan offers a unique combination of guaranteed interest and liquidity. Interest from the date of deposit is guaranteed for five years. There are no fees, except for a small redemption charge upon withdrawal. Only 101 days notice of withdrawal or transfer is required, with no interest rate penalty.



Total Asset growth has averaged a compound rate of 20% over the past five years. At October 31, 1978, total assets of \$173.3 million included mortgages and other loans, \$137.4 million (79%), cash and term deposits, \$7.0 million (4%), stocks and bonds, \$12.7 million (7%), real estate, \$14.2 million (8%), and other assets, \$2.0 million (1%).

The growth in fixed term Guaranteed Investment Certificate deposits during the past five years has averaged 15% compounded annually. This steady increase has provided District Trust with an excellent source of funds for mortgage lending, permitting the matching of maturities necessary for portfolio stability and profitability. Growth in G.I.C. deposits for 1979 is forecasted at approximately 20% of the 1978 portfolio.

Total Assets

(in \$ millions)

1974	1975	1976	1977	1978
\$72.0	\$101.5	\$119.9	\$151.1	\$173.3

Guaranteed Investment Certificate Deposits

(in \$ millions)

1974	1975	1976	1977	1978
\$58.4	\$71.0	\$78.5	\$89.8	\$103.4

District Trust has introduced two exciting new savings accounts. The Super Saving Account pays a premium rate of interest, and compounds the interest daily. The 55 Plus Account offers a “package” of free chequing plus savings interest at premium rates, plus discounts on other services, to customers age 55 and older. Customer interest in these new services has been so enthusiastic that the Company’s savings account deposits have doubled during this fiscal year.

Since 1969, thousands of customers have been attracted to the Guaranteed Fund of District Trust’s Retirement Savings Plan. The total funds on deposit is three times the 1976 level, and it is anticipated that the growth for fiscal 1979 will exceed 30%. The Guaranteed R.S.P. is also offered to groups, and, coupled with our Deferred Profit Sharing Plan, can be a pension plan alternative for smaller companies.

Savings Account Deposits

(in \$ millions)

1974	1975	1976	1977	1978
\$4.0	\$5.2	\$5.3	\$6.1	\$12.2

Guaranteed Retirement Savings Plan Deposits

(in \$ millions)

1974	1975	1976	1977	1978
\$1.5	\$4.0	\$9.0	\$18.0	\$26.7

DISTRICT TRUST COMPANY
(Incorporated under the laws of Ontario)

CONSOLIDATED BALANCE SHEET AS AT OCTOBER 31, 1978

ASSETS

	<u>1978</u>	<u>1977</u>
Loans		
Mortgages	\$135,924,452	\$109,709,760
Loans on securities	751,818	478,600
Personal loans	678,792	317,099
	<u>137,355,062</u>	<u>110,505,459</u>
Cash and term deposits	6,955,206	9,943,358
Securities (note 3)	12,727,525	8,800,357
Receivable from officers and shareholders	43,001	151,554
Accounts receivable	208,866	203,690
Income taxes recoverable	76,585	
Income producing real estate and land held for development (note 4)	14,168,899	19,989,259
Investment in partnership and other companies (notes 2 and 5)	924,872	863,634
Leasehold improvements and equipment	262,307	220,035
Other	<u>539,012</u>	<u>417,823</u>
	<u>\$173,261,335</u>	<u>\$151,095,169</u>

LIABILITIES

	<u>1978</u>	<u>1977</u>
Deposits and borrowings		
Demand deposits	\$ 16,374,060	\$ 9,421,227
Short term certificates	2,444,492	8,723,656
Guaranteed retirement savings plan deposits	26,739,839	18,029,622
Guaranteed investment certificates	103,390,534	89,777,215
	<u>148,948,925</u>	<u>125,951,720</u>
Accounts payable and accrued liabilities	751,481	655,783
Income taxes payable		67,916
Bank loan		2,940,353
Mortgages payable	6,925,411	6,797,747
Deferred income taxes (note 6)	1,970,151	1,035,951
Interest of minority shareholders in subsidiary company	68,218	68,218
	<u>158,664,186</u>	<u>137,517,688</u>

SHAREHOLDERS' EQUITY

Capital stock (note 7)	4,709,023	4,709,023
Retained earnings	5,768,745	1,782,781
Excess of appraised value of real property over depreciated cost	4,119,381	7,085,677
	<u>14,597,149</u>	<u>13,577,481</u>
	<u>\$173,261,335</u>	<u>\$151,095,169</u>

Subsequent event (note 2)

Approved by the Board
R.C. Allen, Director
N.G. Burdick, Director

DISTRICT TRUST COMPANY

CONSOLIDATED STATEMENT OF INCOME YEAR ENDED OCTOBER 31, 1978

	1978	1977
Revenue		
Mortgages and other loans	\$13,364,277	\$10,948,126
Investment securities	1,598,974	1,217,478
Fees and commissions	300,297	216,601
Investment properties	1,779,245	1,840,805
Real estate commissions		266,488
Other	27,548	40,084
	<u>17,070,341</u>	<u>14,529,582</u>
Expense		
Interest on deposits and borrowings	12,210,249	10,006,020
Salaries and staff benefits	1,472,721	1,167,312
Investment properties	1,146,685	1,198,207
Administrative	1,108,790	857,759
Premises	276,770	120,490
Real estate sales commissions		211,036
	<u>16,215,215</u>	<u>13,560,824</u>
	855,126	968,758
Gain on sale of securities	418,897	167,927
Mortgage losses	(400,000)	
Equity in income of International By-Products Limited	174,010	65,200
Income before income taxes and extraordinary item	<u>1,048,033</u>	<u>1,201,885</u>
Income taxes (note 6)		
Current (recoverable)	(121,048)	125,082
Deferred	139,200	249,524
	<u>18,152</u>	<u>374,606</u>
Income before extraordinary item	1,029,881	827,279
Gain on sale of income producing real estate, net of related income taxes of \$383,500, including \$300,500 deferred income taxes	1,413,057	
NET INCOME	<u>\$2,442,938</u>	<u>\$ 827,279</u>
EARNINGS PER SHARE		
Income before extraordinary item	\$.39	\$.32
Net income	\$.94	\$.32

DISTRICT TRUST COMPANY

CONSOLIDATED STATEMENT OF RETAINED EARNINGS YEAR ENDED OCTOBER 31, 1978

	1978	1977
BALANCE AT BEGINNING OF YEAR	\$1,782,781	\$1,845,874
Net income	2,442,938	827,279
Appraisal increment realized on sale of real estate, net of related income taxes of \$643,000 including \$494,500 deferred income taxes	2,323,296	16,829
Dividends	6,549,015	2,689,982
	780,270	907,201
BALANCE AT END OF YEAR	<u>\$5,768,745</u>	<u>\$1,782,781</u>

AUDITORS' REPORT

To the Shareholders of
District Trust Company

We have examined the consolidated balance sheet of District Trust Company as at October 31, 1978 and the consolidated statements of income and retained earnings for the year then ended. Our examination was made in accordance with generally accepted auditing standards, and accordingly included such tests and other procedures as we considered necessary in the circumstances.

In our opinion, these consolidated financial statements present fairly the financial position of the company as at October 31, 1978 and the results of its operations for the year then ended in accordance with generally accepted accounting principles applied on a basis consistent with that of the preceding year.

We further report that certain assets of the company do not qualify as investments under the provisions of The Loan and Trust Corporations Act (see note 9).

London, Canada
December 19, 1978.

Thorne Riddell & Co.
Chartered Accountants

DISTRICT TRUST COMPANY

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

YEAR ENDED OCTOBER 31, 1978

1. ACCOUNTING POLICIES

(a) Consolidation

The consolidated financial statements include the accounts of District Trust Company, District Development Corporation Limited, Allcross Enterprises Limited and Glenridge Shopping Centre but exclude International By-Products Limited (note 2).

(b) Loans and receivables

Mortgages are stated at cost, which includes amounts advanced, accrued interest, and other charges, less repayments. Mortgages, to the extent that they are uncollectible, have been written off. The amount of accumulated payments by mortgagors to District Trust Company in respect of property taxes, net of such taxes paid by the company, is included in "Accounts payable and accrued liabilities".

Other loans and receivables are stated at cost plus accrued interest less repayments.

(c) Securities

Bonds and stocks are stated at cost plus accrued income.

(d) Income producing real estate and land held for development

Land, buildings and improvements held by the companies at December 1, 1975 are stated at appraised values established by accredited appraisers. The excess of these values over depreciated cost as recorded in the accounts at December 1, 1975 is included as part of shareholders' equity and, upon realization through dispositions, the appropriate portion is transferred to retained earnings net of related income taxes.

Land and buildings acquired subsequent to December 1, 1975 are stated at cost.

The companies follow the policy of capitalizing as land held for development such direct carrying costs as mortgage interest, financing costs, realty taxes and other costs less rental incomes which pertain to such properties.

Architectural design fees and other costs relating to proposed developments are deferred pending completion or abandonment of the project and are then capitalized or expensed. These costs are included in "Other" assets.

(e) Leasehold improvements and equipment

Leasehold improvements and equipment used in the companies' operations are stated at cost less accumulated depreciation.

(f) Depreciation

The companies record depreciation of the cost or appraised value of buildings on a forty year sinking fund basis over their estimated useful lives. Under this method, depreciation is charged in a series of annual instalments increasing at the rate of 5% compounded annually and will result in a substantially higher depreciation charge in later years.

Improvements are being depreciated by the straight-line method over 10 years from December 1, 1975 or dates of acquisition, if later, on the basis of appraised values or cost.

Depreciation of equipment is being determined by the straight-line method using an annual rate of 10% applied to historical cost. Leasehold improvements are being depreciated by the straight-line method over the term of the leases plus the first renewal option period.

(g) Investment in partnership and other companies

The company's one-half interest in the partnership, Edinburgh Shopping Centre, is carried at cost plus the company's share of income less drawings plus one-half of the increase in appraised values over depreciated cost of land and buildings as determined by the appraisals referred to in note 1 (d).

The investment in Heathshore Realty Limited is recorded at cost.

1. ACCOUNTING POLICIES (continued)

(h) Other

Fees from estate, trust and agency accounts are recorded using the accrual basis of accounting. Securities and other property held by the trust department in a fiduciary or agency capacity are not included as assets in the consolidated balance sheet.

2. INTERNATIONAL BY-PRODUCTS LIMITED

Subsequent to the year end the company declared a special dividend of twenty-five cents per share, payable December 29, 1978 to holders of Class A and Class B convertible common shares. The dividend will be paid in the form of shares of International By-Products Limited on the basis of one share of International By-Products Limited for every five shares held of District Trust Company. This dividend paid on the Class A common shares is a taxable dividend. This dividend paid on the Class B common shares will be free of immediate tax in the hands of the recipients as the dividend is paid from 1971 capital surplus on hand as defined by the Income Tax Act.

The effect of this dividend is to fully distribute the shares of International By-Products Limited to the shareholders of District Trust Company. Therefore, the investment on the balance sheet is carried at net realizable value.

3. SECURITIES

	1978		1977	
	Book Value	Market Value	Book Value	Market Value
Bonds				
Government of				
Canada	\$ 1,499,549	\$ 1,412,411	\$1,122,452	\$1,094,342
Provinces of				
Canada	653,700	525,557	653,692	547,086
Municipal	125,835	101,856	125,835	106,699
Other	601,579	516,523	606,600	544,057
	2,880,663	2,556,347	2,508,579	2,292,184
Stocks	9,846,862	10,772,172	6,291,778	7,437,902
	\$12,727,525	\$13,328,519	\$8,800,357	\$9,730,086

4. INCOME PRODUCING REAL ESTATE AND LAND HELD FOR DEVELOPMENT

	1978		1977	
	Stated Value	Accumulated Depreciation	Net	Net
Land	\$ 3,393,468		\$ 3,393,468	\$ 5,874,750
Buildings and improvements	7,270,826	\$425,291	6,845,535	10,239,842
Equipment	36,306	10,118	26,188	26,032
	10,700,600	435,409	10,265,191	16,140,624
Land held for development	3,903,708		3,903,708	3,848,635
	\$14,604,308	\$435,409	\$14,168,899	\$19,989,259

5. INVESTMENT IN PARTNERSHIP AND OTHER COMPANIES

	<u>1978</u>	<u>1977</u>
International By-Products Limited		
Shares, 100% interest	\$331,010	\$331,010
Earnings since acquisition	239,210	65,200
Advances	9,238	68,516
	<u>579,458</u>	<u>464,726</u>
International By-Products B.V.		
Promissory note	226,964	266,664
Edinburgh Shopping Centre		
Partnership interest 50%	78,064	91,858
Appraisal increment	40,372	40,372
	<u>118,436</u>	<u>132,230</u>
Heathshore Realty Limited		
Shares, 28% interest	14	14
	<u>\$924,872</u>	<u>\$863,634</u>

International By-Products Limited has a 55% interest in an Austrian company Steirische Tierkorperververwertungs G.M.b.H. and a Liechtenstein company Globe Grain Corporation.

6. INCOME TAXES

The company's income from the sale of securities and income producing real estate is taxed at reduced rates. Dividend income is tax exempt. Accordingly, income taxes as provided in the consolidated statement of income are less than the amount obtained by applying statutory tax rates to income before income taxes.

Certain items of income and expense are recognized in time periods different for financial reporting than for income tax purposes. Full provision for income taxes is made using the tax allocation method and income taxes related to the following items are recorded as deferred income taxes on the consolidated balance sheet.

Deferred income taxes applicable to:

	<u>1978</u>	<u>1977</u>
Special mortgage and bond reserve allowed under the		
Income Tax Act	\$ 779,000	\$ 683,000
Mortgage reserve on gain from sale of income		
producing real estate	596,000	
Excess of capital cost allowance over depreciation		
provided in the accounts	463,000	213,000
Other items	132,151	139,951
	<u>\$1,970,151</u>	<u>\$1,035,951</u>

7. CAPITAL STOCK

Authorized

1,300,000 Preference shares with a par value of \$10 per share issuable in series

6,500,000 Class A and Class B interconvertible common shares without par value

Dividends paid on Class A common shares are taxable dividends for income tax purposes. Dividends paid on Class B common shares will be free of immediate income tax in the hands of the recipients if the dividends are paid from tax-paid undistributed surplus on hand or from 1971 capital surplus on hand, both as defined by the Income Tax Act.

	1978	1977
Issued		
Class A shares	428,548	506,532
Class B shares	2,172,333	2,094,349
	<u>2,600,881</u>	<u>2,600,881</u>

8. GUARANTEED TRUST ACCOUNT

Assets held for guaranteed deposits consist of:

	1978	1977
Cash	\$ 6,843,394	\$ 9,940,751
Securities	10,136,268	5,790,275
Mortgages	130,331,266	109,709,760
Other loans and receivables	1,637,997	510,934
	<u>\$148,948,925</u>	<u>\$125,951,720</u>

9. OTHER INFORMATION

- As a result of the amalgamation of District Trust Company and Shore to Shore Corporation Limited certain assets of the company do not meet the investment provisions of The Loan and Trust Corporations Act.
- The aggregate direct remuneration paid or payable to directors and officers as defined by The Loan and Trust Corporations Act was \$237,725 (1977, \$202,150).
- Included in expenses is depreciation amounting to \$244,197 (1977, \$242,316).

FINANCIAL HIGHLIGHTS

The sales during the summer of 1978 of seven shopping centers and a downtown property resulted in after-tax gains totalling \$3.7 million. The portion of the gains accruing since December 1, 1975 has been shown as an extraordinary item on the Statement of Income; this \$1.4 million after-tax gain represents earnings of 55¢ per share. The \$2.3 million portion of the gains accruing prior to December 1, 1975, previously included in the Balance Sheet category "Excess of appraised value of real property over depreciated cost", has been transferred to "Retained earnings" as a realized gain on the sale of real estate.

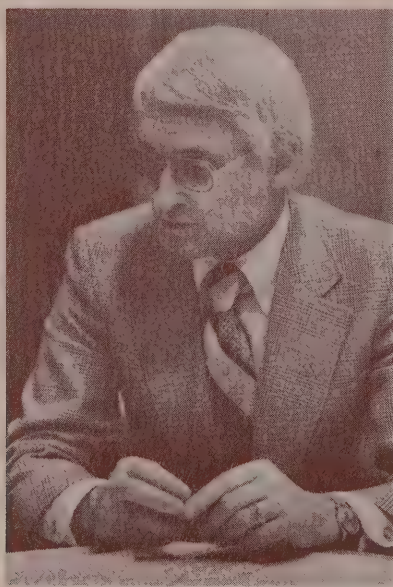
Total revenues increased 17% to \$17 million; 78% of this revenue is derived from mortgages and other

loans, which constitute 79% of the total assets of the Company. No real estate commissions from brokerage activities were earned in 1978, since we completed our withdrawal from the real estate brokerage business in 1977.

Interest expense on deposits and borrowings rose 22%, compared to an increase in deposits of 18%. This disparity reflects the rise in interest rates which occurred during 1978, a trend which has continued into fiscal 1979.

Salary, administrative, and premises costs collectively were 20% above 1977 levels. These expense increases include the effect of inflation on wages and prices, together with the expenses of

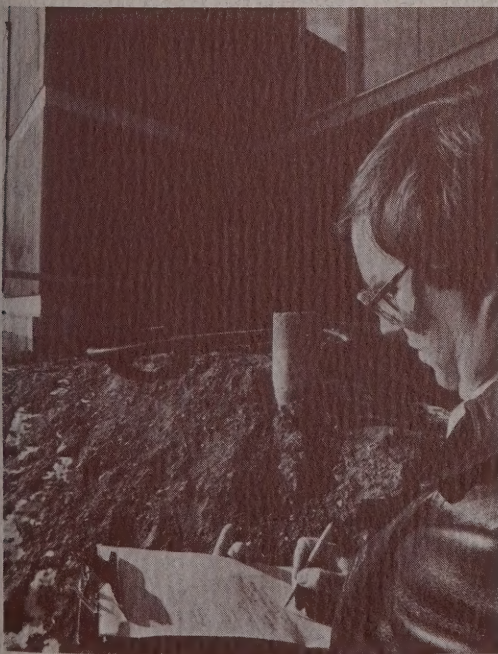
From left to right:
George C. Andrews,
A.A.C.I.; James M.
Schwetz with Mr. Andrews;
Mr. Schwetz on mortgage
inspections.



opening and operating three new branches during the year.

District Trust continues to stress mortgage investments as the sound base for asset and profit growth. Our portfolio increased 24% to \$136 million during the year; related interest and fee revenues rose 22% to \$13 million. For the first time in our fifteen year history it was necessary to record mortgage principal losses on certain loans; these totalled \$400,000. We are confident that this loss is an aberration produced by unusually adverse economic conditions, and is not at all representative of the quality of our mortgage portfolio.

Investments in marketable securities increased by 45% to nearly \$13 million. The majority of stock investments in this portfolio are preferred shares issued by other Canadian companies; the dividend income produced is tax exempt, which is one of the reasons for the reduced income taxes payable on earnings this year. This stock and bond portfolio also produced "Gains on sale of securities" totalling \$418,897 before taxes.



OFFICES

Head Office

383 Richmond Street
Suite 1414

London, Ontario

434-6013

LONDON

150 Fullarton Street

672-0610

Covent Market Building

434-6024

STRATHROY

26 Front Street

245-1090

GUELPH

Wellington and Gordon Streets

821-2160

ELMIRA

24 Arthur Street S.

669-5186

KITCHENER

259 King Street W.

579-4020

TORONTO

20 Duncan Street

868-6550

BRANTFORD

233 Colborne Street

753-4105

PORT COLBORNE

43 Clarence Street

835-2555

PORT ELGIN

620 Goderich Street

832-9015

WALKERTON

301 Durham Street E.

881-3700

OWEN SOUND

854 2nd Avenue E.

376-0600



SERVICES

Mortgage Loans
Personal Loans
Guaranteed Investment Certificates
Chequing Accounts
Savings Accounts
Super Savings Accounts
55 Plus Accounts
Registered Retirement Savings Plans
Deferred Profit Sharing Plans
Registered Home Ownership Savings Plans
Property Management
Trustee-Corporate and Personal
Estate Planning
Prepaid Deposit by Mail
Safety Deposit Boxes and Safekeeping
Executor and Administrator Services

Auditors

Thorne Riddell & Co.

Bankers

Canadian Imperial Bank of Commerce

Transfer Agent and Registrar

The Canada Trustco Mortgage Company,
110 Yonge Street, Toronto, Ontario

Solicitors

Mackay, Kirvan, Guy, Barristers and Solicitors

Shares listed on the Toronto Stock Exchange



